

# Closed Schemes

Barnett Waddingham LLP offers full services to ongoing occupational pension schemes, schemes in wind-up and to closed schemes.

When faced with the potential cost of wind-up, pension scheme trustees may instead choose to operate a closed scheme. Schemes may continue on the following bases:

- no further contributions are payable by or in respect of existing members in the scheme so that
- no future benefits accrue to existing members and/or
- no new members are admitted to the scheme.

The closure of a scheme does not necessarily lead to a wind-up.

There are numerous implications which must be considered by an employer and the trustees before electing to close a scheme and by what method. Some of these are outlined below.

## Administration

In essence there are few distinctions between administering a closed pension scheme and administering an ongoing arrangement.

As mentioned above there are different forms of closed schemes. For example, the scheme may be closed to new members or the accrual of future service may cease.

In the case of the former, having no further new members does not have any impact on the way the benefits are accrued or calculated.

However, this is contrasted with the situation where the trustees and employer elect to cease the accrual of all future service. In these circumstances, there are important changes to the calculation of members' benefits.

There are numerous ways in which a pension scheme could treat the cessation of accrual. It may well be that, although future service accrual has ceased, current pensionable earnings are still used to calculate benefits at the date of leaving or retirement. Or it could simply mean that service ceases to accrue, pensionable earnings are fixed and preserved pensions are calculated.

When a decision has been made to close a pension scheme then, in addition to informing HM Revenue & Customs, the members (all actives, preserved pensioners and beneficiaries) need to be made aware of the trustees' decision to exercise the appropriate power to close the scheme.

## SUMMARY

We are pleased to provide services to a significant portfolio of closed schemes. This is a growing area of business for us and we are accustomed to handling the specific requirements of these arrangements.

APRIL 2009

## For further information

Or to discuss how we may be able to help you, please contact your usual Barnett Waddingham contact or email: [info@barnett-waddingham.co.uk](mailto:info@barnett-waddingham.co.uk)

[www.barnett-waddingham.co.uk](http://www.barnett-waddingham.co.uk)

Amersham – Bromsgrove – Cheltenham  
Glasgow – Leeds – Liverpool – London

Barnett Waddingham LLP is authorised and regulated by the Financial Services Authority and is licensed by the Institute of Actuaries for a range of investment business activities.